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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

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TS-7 THE TOBACCO SITUATION July 26, 1938.

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## Summary

The general outlook for all types of tobacco in 1938-39 is rather favorable, although less favorable than in 1937-38, says the Bureau of Agricultural Economics. The new marketing season gets under way this week with the opening of the Georgia-Florida markets on July 28.

Total acreage of tobacco on July 1 was estimated at 1,680,800 acres or 2.9 percent less than the 1937 harvested acreage. Declines occurred for nearly all types except cigar tobacco, most of the important types of the latter showing a significant increase. Georgia and Florida flue-cured, Type 14, and Maryland, Type 32, were the only non-cigar tobaccos to occupy a larger area than last year; among the cigar types, Connecticut Broadleaf, Type 51, and Havana Seed, Type 52, were the only ones to show a decline. The area for all flue-cured, Types 11-14; Burley, Type 31; and fire-cured and dark-air cured tobaccos, Types 21-24 and 35-37, was below that indicated as of March 1, due partly at least to the subsequent approval of marketing quotas by growers.

Total indicated production as of July 1 is 1,496,644,000 pounds, or 3.7 percent below 1937. Crops of flue-cured, Burley, fire-cured and dark air-cured are 6.2, 1.2, 8.9 and 16.0 percent smaller, respectively, than in 1937. Crops of Maryland and cigar tobacco are each between 14 and 15 percent above last season. The flue-cured and Burley crops are somewhat in

excess of their marketing quotas of 739 million and 357 million pounds, respectively, while production of dark tobaccos is slightly less than the marketing quota of 148 million pounds.

Because of larger stocks this year, the total supply of flue-cured tobacco for 1938-39 probably will be about the same as or slightly larger than in 1937-38. While cigarette withdrawals in recent months have been slightly above the corresponding months in 1937, the lower level of wholesale prices and general business activity make the outlook for domestic demand less favorable than in 1937. Foreign demand probably will be above the average of the past 5 or 6 years, but is not expected to be as strong as in 1937-38.

The prospective supply of Burley is 6 percent above 1937-38. An expected reduction in stocks of Maryland on January 1, 1939, make the prospective total supply only slightly greater than in 1938. Increased supplies and rather unfavorable demand conditions may cause some decline in prices for these two types.

Supplies of fire-cured and dark-air cured tobaccos, particularly fire-cured, are expected to be smaller in 1938-39. In view, however, of the stationary domestic demand for products made from dark tobaccos and the continued decline in exports, the outlook for these types continues unfavorable.

Estimated supplies of cigar filler and binder for 1938-39 are slightly smaller and for wrapper somewhat larger than in the preceding season. Material increases in indicated production probably will cause a decline in prices for some types.

## FLUE-CURED, TYPES 11-14

The total area of flue-cured tobacco this year is 934,000 acres, or nearly 8 percent less than that indicated as of March 1. In referenda held on March 12 growers approved a national marketing quota of 705 million pounds for flue-cured tobacco. A subsequent amendment to the Agricultural Adjustment Act of 1938 permitted the quota for each State to be increased by a maximum of 4 percent for the purpose of permitting the Secretary of Agriculture to apportion the extra allotment among farms, the previously determined allotments for which were considered to be inadequate. A further addition was made to the quota for some States in order to comply with the provision of the Act to the effect that the marketing quota for any marketing year shall not be reduced to a point less than 75 percent of the production in the State during the year 1937. The final national marketing quota is 739,068,000 pounds.

Despite the reduction in acreage, the indicated yield per acre as of July 1 of 858 pounds, 71 pounds above the 1932-36 average and only 20 pounds less than in 1937, results in a prospective crop of 801,400,000 pounds - more than 62 million pounds in excess of the marketing quota.

Stocks at the beginning of the marketing season are expected to be larger than on July 1 last year. Estimates made last spring at the time of the announcement of marketing quotas indicated that stocks on July 1 would amount to about 976 million pounds. At the present time, however, it appears likely that stocks on July 1 will be somewhat lower than previously estimated. However, even if actual stocks as reported (to be released early in August) turn out to be smaller than those shown in the table below they probably will be sufficiently above those of a year earlier to make total supply about the same as or slightly larger than in 1937-38.

Flue-cured tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

| Year | Production | Stocks, July 1 | Total supply | Disappearance, year beginning July | Average price per pound |
|---|---|---|---|---|---|
| | Million pounds | Million pounds | Million pounds | Million pounds | Cents |
| Average 1932-36 | 631.6 | 785.9 | 1,417.5 | 628.3 | 19.2 |
| 1937 2/ | 854.9 | 883.2 | 1,738.1 | 3/ 762.1 | 23.0 |
| 1938 | 4/ 801.7 | 3/ 976.0 | 3/1,777.7 | | |

1/ Farm-sales-weight equivalent.
2/ Preliminary.
3/ Estimated.
4/ Indicated July 1.

Flue-cured tobacco: State and national marketing quotas for season beginning July 1, 1938

| States and new farms | Apportionment of original quota among States and amount for allotment to new farms | Increase required by the Act to provide quota of not less than 75 percent of production in each State in 1937 | Increase of 4 percent provided by amendments to A.A.A. of 1938 | Increase required by the Act to provide minimum State quota equal to national 5-year average yield times 500 acres | Total quota as apportioned among States and new farms |
|---|---|---|---|---|---|
| | 1,000 pounds | 1,000 pounds | 1,000 pounds | 1,000 pounds | 1,000 pounds |
| Virginia ... | 62,940 | 0 | 2,518 | 0 | 65,458 |
| N. Carolina. | 466,998 | 0 | 18,680 | 0 | 485,678 |
| S. Carolina. | 77,126 | 3,934 | 3,242 | 0 | 84,302 |
| Georgia .... | 68,320 | 0 | 2,733 | 0 | 71,053 |
| Florida .... | 8,393 | 2,491 | 423 | 0 | 11,007 |
| Alabama .... | 73 | 15 | 4 | 328 | 420 |
| New farms in all States. | 21,150 | 0 | 0 | 0 | 21,150 |
| Total U.S... | 705,000 | 6,140 | 27,600 | 328 | 739,068 |

On the basis of present conditions, it appears likely that the position of flue-cured tobacco growers in 1938 will be fairly favorable, but probably less favorable than in 1937. This last season growers produced nearly 855 million pounds of flue-cured tobacco which sold at an average price of 23 cents per pound. This was the largest crop on record with the exception of 1930, the highest price per pound since 1926 with the exception of 1934, and the value of the crop was only 7 percent less than the 1919 peak.

Domestic demand

The principal domestic use of flue-cured tobacco is in the manufacture of cigarettes. Tax-paid withdrawals of cigarettes (small) in the 11 months ending May 31, totaled 149,665,000,000 or 3.6 percent more than in the corresponding period a year earlier. Tax-paid withdrawals in the first half of the present calendar year were 2 percent larger than in the same months of 1937. Since, over short periods, the demand for cigarettes is related to changes in consumer purchasing power, it was stated in The Tobacco Situation for March that the outlook for business conditions and consumer incomes suggested the likelihood of a moderate decrease in cigarette consumption in the calendar year 1938 as compared with 1937. Withdrawals in January and February actually were smaller than a year earlier, but rose above the levels of the preceding season during the 3 months March to May. Unless withdrawals show an unexpected decline during the next few months, the 1938 total will be slightly above 1937.

The failure of cigarette consumption to decline during the present period of sharply decreased business activity has been due to several reasons. Among these are the reluctance of consumers to curtail purchases of a habitually used commodity and the persistence of a significant long time upward trend in cigarette consumption. In addition, the situation during recent months has differed from that during the 1931-32 period in that Government expenditures have tended to maintain the purchasing power of large numbers of people in the lower income groups. Furthermore, consumers probably have been paying a somewhat lower average price for cigarettes due to an increase in the importance of the 10-cent brands. Several new 10-cent cigarettes have been put on the market during the past year, and trade sources report that the share of total cigarette manufacture and consumption represented by these brands has increased considerably. Apparently consumers who have altered their cigarette consumption habits in response to lower incomes have shifted in a high degree to lower priced ready-made cigarettes, rather than to light smoking mixtures or "roll your own" cigarettes as was the case in 1931 and 1932.

The continued increase in cigarette withdrawals is a factor which tends to make the long time outlook for flue-cured rather favorable, but tobacco actually purchased in any given season generally does not reach the hands of consumers until from 1 to 3 years later. The demand of domestic manufacturers for cigarette tobacco in the present season as compared with the preceding probably will be related significantly to the level and the trend of general business activity and wholesale prices as well as to cigarette withdrawals as such. Recent upturns in commodity prices and business activity, if continued, will tend to expand domestic demand for the current flue-cured crop. Unless the improvement in commodity prices and general economic conditions, however, is considerably more rapid than is expected, the market situation will be somewhat less favorable than in 1937.

Foreign demand

In recent years about one-half of the flue-cured tobacco produced in the United States has been exported. In the 1932-36 period exports averaged 294 million pounds or 47 percent of production. The two most important markets were the United Kingdom and China which took 170 million and 52 million pounds, respectively.

The consumption of flue-cured tobacco is tending to increase in foreign countries, and foreign demand for United States leaf in 1938-39 is expected to be fairly good. It is doubtful, however, that demand will be as active as in 1937-38 due to the return of stocks to a more normal level in Europe and the disturbing effects of military operations in the Orient. Further increases expected in production in the principal foreign flue-cured producing countries, with the exception of China, also will tend to result in some decline in the demand for American flue-cured.

The Foreign Demand section of this report is based largely on reports received from the Bureau's tobacco specialists in London and Shanghai. Those interested in a slightly more detailed account of the flue-cured tobacco situation in foreign countries may obtain the full reports of the specialists by writing to the Bureau of Agricultural Economics and asking for the two supplements to the July issue of the Tobacco Situation.

Europe.- On the basis of present indications, it appears probable that the European demand for American flue-cured tobacco from the 1938 crop will be equal to or possibly above the average of recent years, but probably below that for the 1937 crop. Actual exports from the United States to Europe, of course, will depend upon the operation of numerous factors, including the quantity, quality and price of United States production, supplies and prices of desirable grades of leaf from other sources, and the course of general business activity.

Although there have been moderate declines in industrial activity in some European countries during the last few months, tobacco consumption apparently has continued to increase. Most of the increase has been in the form of cigarettes. Total utilization of flue-cured tobacco during the year 1937-38 is estimated to have been about 270 million pounds or 7 percent more than in the preceding year. Consumption of American leaf amounted to about 227 million pounds or 6 percent more than in 1936-37. Utilization of flue-cured leaf produced in other countries amounted to about 43 million pounds or 16 percent more than in the preceding season. Cigarettes made entirely from flue-cured tobacco continued to account for almost the entire consumption of cigarettes in the British Isles while flue-cured tobacco gained increased importance in the manufacture of blended cigarettes in Continental Europe.

European imports of United States flue-cured leaf in 1937-38 are estimated to have amounted to about 275 million pounds as compared with 206 million in 1936-37 and 256 million in 1935-36. There also have been larger imports from other producing countries. As a result, it is estimated that on July 1, 1938, stocks of all flue-cured tobacco were equal to about 1.77 year's supply at the current rate of consumption as compared with 1.66 a year ago and about 1.80 on July 1, 1936.

The United States continues to supply most of the flue-cured tobacco that goes to Europe, accounting for about 84 percent of total utilization in 1937-38. However, while total actual consumption of foreign grown flue-cured is still much smaller than American, the use of British Indian, Rhodesian, and Canadian tobaccos is increasing more rapidly than is the consumption of United States leaf. On the Continent of Europe production of flue-cured leaf is still very small, but increasing efforts are being made to expand its production in order to meet the world-wide trend toward cigarettes, especially those containing flue-cured tobacco.

The United Kingdom was of even greater relative importance as a market for American flue-cured tobacco in the past season than in the 5-year period 1932-36, taking 67 percent of total flue-cured exports to all countries and 85 percent of total exports to all European countries during the 11 months ended May.

British business activity has been declining during the last 6 or 7 months but tobacco consumption has continued to increase. Total manufacturers requirements for flue-cured in the first 6 months of 1938 were 3.7 percent above the corresponding period in 1937. Exports from the United States to the United Kingdom in the 11 months ended May totaled 233 million pounds as compared with 168 million in the corresponding period in the preceding season and 221 million in 1935-36. On July 1, 1937, stocks were very low relative to consumption, but the large volume of imports during the 1937-38 season have about brought stocks up to their average relationship to utilization, that is, sufficient to supply manufacturers at the current rate of consumption for from 1.9 to 2 years. It is estimated that between 200 and 240 million pounds would need to be imported from the 1938 United States crop in order to maintain stocks at this level until July 1, 1939.

The United States continues to benefit from the increasing consumption of flue-cured tobacco in the United Kingdom, but tobacco produced in this country also continues to represent a diminishing proportion of an increasing total utilization. Although the actual consumption of American flue-cured has increased, the tendency for it to account for a smaller share of the total cannot be viewed without concern when it is realized that British per capita consumption of cigarettes made from flue-cured tobacco cannot be expected to increase indefinitely, and that a stationary or declining total population is in prospect for the United Kingdom in the near future.

Flue-cured tobacco: Production, price, and exports of specified countries of the British Empire, 1934-37

| Country | Production | | | | Price | | | | Exports 1/ | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1934 | 1935 | 1936 | 1937 2/ | 1934 | 1935 | 1936 | 1937 2/ | 1934 | 1935 | 1936 | 1937 2/ |
| | Million pounds | | | | Cents | | | | Million pounds | | | |
| India | 13.5 | 16.4 | 19.5 | 38.5 | 10.1 | 9.3 | 12.6 | 13.4 | 1.8 | 5.0 | 8.3 | 21.1 |
| Canada | 22.1 | 35.2 | 24.6 | 53.7 | 24.7 | 24.5 | 29.3 | 27.0 | 4.9 | 4.5 | 6.5 | 5.4 |
| Southern Rhodesia | 19.5 | 20.7 | 20.3 | 25.0 | -- | 14.8 | 21.2 | 25.0 | 16.0 | 17.4 | 17.3 | 19.5 |
| Nyasaland | 1.5 | 2.1 | 2.0 | -- | -- | -- | -- | -- | 1.7 | .9 | 1.1 | 1.2 |
| Total, reporting countries | 56.6 | 74.4 | 66.4 | 117.2 | | | | | 24.4 | 27.8 | 33.2 | 47.2 |

1/ Calendar year from official sources for Canada and Nyasaland; India and Southern Rhodesia from report of foreign tobacco specialist of the Bureau of Agricultural Economics. Exports from Canada for crop year 1937-38 estimated by foreign tobacco specialist to amount to 13 million pounds.
2/ Preliminary estimate.

Empire tobacco as a percentage of all tobacco cleared for home consumption amounted to only 1 percent in 1919, to between 16 and 17 percent in 1928 and to over 24 percent in 1937. While these figures relate to all tobacco, a considerable part of the increase -- especially in recent years -- in the proportion of total utilization represented by Empire growths has been due to the increasing utilization of Empire flue-cured. The competitive position of Empire flue-cured has been strengthened by a preferential import duty which since 1925 has been the equivalent of approximately 50 cents per pound. The demand for Empire growths during the last year or two has been sufficient to result in increased prices to growers even though crops have been much larger. This makes it seem probable that production and utilization of Empire leaf will be increased still further in the next season or two.

Orient.- Exports of American flue-cured tobacco to China, Manchuria and the Japanese Empire have been reduced considerably this season as compared with last, due to restrictions on imports and reductions in consumption associated with military operations. The carry-over of leaf into the next season will be larger than a year earlier, but production in the area as a whole will be materially less than in 1937. It seems doubtful whether any substantial improvement in the market for American flue-cured tobacco will take place in these countries during the next few months.

Imports of tobacco into China have virtually ceased because of the refusal of the Chinese Government to make allotments of foreign exchange on imports of goods that are not vitally needed. Imports would have been considerably curtailed in any case due to the disruption of cigarette manufacturing in the areas where hostilities have been taking place, the difficulties encountered in distributing cigarettes in the interior of the country, and the reduced purchasing power of many of the people. A considerable number of Chinese cigarette factories have been closed, removed to areas not under the control of the Japanese, or have been taken over by the Japanese. A material decrease in the manufacture of cigarettes in Chinese factories will be partly offset as far as Chinese tobacco is concerned by the increased consumption of hand-rolled cigarettes made from native leaf. From a longer-time point of view, the position of American tobacco may be injured by the apparent intentions of the Japanese to expand their cigarette manufacturing operations in China. It is expected that they will eventually take over Chinese factories in Japanese controlled areas and establish some new ones. This movement is already under way in Shanghai. This will be a serious threat to Chinese and foreign factories throughout China as a whole as the Japanese will be in a preferential position with respect to taxes, freight rates, etc. It is also reasonable to believe that an attempt would be made to use larger quantities of Chinese leaf and to reduce imports of American tobacco to a minimum.

The area and production of flue-cured tobacco in China is expected to be sharply decreased in 1938 as compared with 1937. Probably the most important factor making for this decrease is the disturbed marketing situation. It is estimated that at the present time only from 40 to 50 percent of the 1937 crop has been purchased. An important part of the tobacco still on hand will not be sold for commercial use but will be consumed locally. The 1937 crop in Shantung was reported to be the best in quality for several years, and recently buying has been in progress at Tsingtao and to a smaller extent in the interior.

The buying of tobacco is rendered difficult, however, by the generally unsettled conditions and by currency and exchange difficulties, part of the latter being associated with the attempt to change the currency and banking system in the Japanese dominated North China area. On the basis of present conditions, it is estimated that the production of flue-cured tobacco in China in 1938 will be but a little more than a third as large as the record crop of 1937.

Imports of leaf tobacco into Japan were considerably reduced during the 1937-38 season due principally to foreign exchange restrictions. Production of flue-cured tobacco in Japan has increased in recent years, and it is planned to continue this expansion. The plan is to increase the 1938 acreage for flue-cured to 55,388 acres. This is an increase of about 15 percent over the large 1937 area. Production is expected to amount to nearly 83 million pounds which would be a new record production for the Japanese Empire. Increased acreage and production is planned not only for Japan proper but also for Formosa and Korea.

The Government of Manchuria plans an acreage of 5,903 acres for 1938, but it is doubtful whether the area will be this large due to rather unfavorable returns from the 1937 crop. It is estimated, however, that the acreage will amount to about 5,400 acres, a 20 percent increase over 1937.

Flue-cured tobacco: Production, and farm price in specified countries of the Orient, 1933-38

| Country | Production | | | | | | Price to growers | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 1/ | 1933 | 1934 | 1935 | 1936 | 1937 |
| | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Cents | Cents | Cents | Cents | Cents |
| China | 149.0 | 140.0 | 163.0 | 180.0 | 210.0 | 78.0 | 3.7 | 5.9 | 4.4 | 5.6 | |
| Manchuria | 2.5 | 3.5 | 3.5 | 3.8 | 5.3 | 6.4 | 3.3 | 3.6 | 3.7 | 3.5 | 3.5 |
| Japan | 40.3 | 44.6 | 51.3 | 48.9 | 62.2 | 66.8 | 9.3 | 9.7 | 10.0 | 9.9 | 11.6 |
| Chosen | 5.8 | 7.1 | 7.1 | 7.4 | 10.2 | 12.4 | 8.5 | 7.7 | 7.4 | 7.7 | 9.3 |
| Taiwan | .6 | 1.1 | 1.3 | 1.9 | 2.9 | 3.5 | 13.4 | 11.4 | 10.5 | 12.2 | 13.8 |
| Total reporting countries | 198.2 | 196.3 | 226.2 | 242.0 | 290.6 | 167.1 | | | | | |

1/ Preliminary estimate.

## BURLEY, TYPE 31

The indicated acreage of Burley tobacco as of July 1 is slightly larger than 1937 harvested acreage but about 45,000 acres less than that indicated as of March 1 this year. As in the case of flue-cured, growers did not know on March 1 that a marketing quota was to be in effect. A quota of 350 million pounds, however, was approved by growers in a referendum held on April 9. By a subsequent amendment to the Agricultural Adjustment Act of 1938 approved May 31 the national quota was increased to provide for each State in addition to the State poundage allotment, a poundage not in excess of 2 percent of the allotment. This in effect increased the national marketing quota to 357 million pounds.

The indicated area of 443,000 acres with a prospective yield per acre of 899 pounds, only slightly smaller than the high yield of last year, results in an indicated production as of July 1 of 398,053,000 pounds or only 1 percent smaller than the large 1937 crop and over 40 million pounds in excess of the marketing quota.

Stocks of Burley on October 1 are expected to amount to about 635 million pounds or 11 percent more than a year earlier but about 13 percent below the 1932-36 average. Stocks during the 5-year period, however, were somewhat higher than normal and estimated stocks at the beginning of the coming season cannot be considered to be low relative to probable disappearance. Indicated production as of July 1 plus prospective stocks give a total supply of 1,033,000,000 pounds or 6 percent above that of the preceding season.

Burley is used principally in the domestic manufacture of cigarettes. Smaller quantities are utilized in the manufacture of light smoking mixtures and chewing tobacco, and still smaller amounts are exported. The demand outlook for Burley is very similar to the domestic-demand outlook for flue-cured. Prices of Burley showed more than the usual season decline during the closing weeks of the last marketing season but the season average price of 20.1 cents was, with the exception of 1936-37, the highest average since 1928. Production of 402,731,000 pounds was the second largest crop on record, and the value of the crop at nearly 81 million dollars was the largest since 1928.

On the basis of present indications, the position of Burley tobacco growers probably will be somewhat less favorable in 1938-39 than in 1937-38.

Burley tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

| Year | Production | Stocks, Oct. 1 | Total supply | Disappearance, year beginning October | Average price per pound |
|---|---|---|---|---|---|
| | Million pounds | Million pounds | Million pounds | Million pounds | Cents |
| Average 1932-36 ..... | 274.8 | 735.0 | 1,009.8 | 297.0 | 19.8 |
| 1937 2/ ..... | 402.7 | 571.3 | 974.5 | 3/ 339.5 | 20.1 |
| 1938 ..... | 4/ 398.0 | 3/635.0 | 3/1,033.0 | | |

1/ Farm-sales-weight equivalent.
2/ Preliminary.
3/ Estimated.
4/ Indicated July 1.

## MARYLAND, TYPE 32

Based on conditions as of July 1, the area and production of Southern Maryland tobacco this season will amount to 38,500 acres and 28,875,000 pounds, respectively. These are increases of 7 percent and 14.6 percent over 1937. The prospective yield per acre is 750 pounds as compared with 700 pounds last season.

Stocks on January 1, 1939, are expected to be about 39.2 million pounds, or about 2 million less than on January 1, 1938. The total prospective supply available for the 1939 (January-to-December) marketing year of 68,100,000 pounds is slightly larger than for 1938.

Maryland tobacco is used, largely because of its desirable burning qualities, in the making of cigarettes, smoking mixtures and cigars, particularly cigarettes. Exports formerly were of considerable importance, but they have declined greatly in recent years. Exports in the 5 months ended May 31 showed a sharp decrease from the corresponding period a year earlier. At the present time, over 5 months before the beginning of the new marketing season, no material change in the market situationfor Maryland tobacco is in prospect, although a slight decline in prices below the level of those received during the present season is not unlikely.

Maryland tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

| Year | Production | Stocks, Jan. 1 of following year | Total supply | Disappearance, following calendar year | Average price per pound |
|---|---|---|---|---|---|
| | Million pounds | Million pounds | Million pounds | Million pounds | Cents |
| Average 1932-36 | 27.3 | 36.9 | 64.2 | 25.5 | 19.5 |
| 1937 2/ | 25.2 | 41.1 | 66.3 | 3/ 27.1 | 22.0 |
| 1938 | 4/ 28.9 | 3/ 39.2 | 3/ 68.1 | | |

1/ Farm-sales-weight equivalent. 2/ Preliminary.
3/ Estimated. 4/ Indicated July 1.

## FIRE-CURED AND DARK AIR-CURED TOBACCO, TYPES 21-24 AND 35-37

Total acreage of fire-cured and dark air-cured tobacco amounts to 171,600 acres, a decrease of 14,400 acres from that indicated as of March 1. As in the case of flue-cured and Burley, the approval of a marketing quota on March 12 probably resulted in some revision in growers' plans. Total production of dark types, based on conditions as of July 1, will be 146,771,000 pounds or 11 percent less than the 1937 crop of 164,760,000 pounds and slightly less than the marketing quota of 147,900,000 pounds (increased by 2 percent over original quota of 145 million pounds by same amendments which affected flue-cured and Burley quotas).

Estimated disappearance in the 12 months ended September 30, 1938, exceeds production in the case of fire-cured but is slightly less than production of dark air-cured. Total stocks of both kinds on October 1, 1938, are estimated at 210 million pounds as compared with 218,900,000 a year earlier. This reduction in stocks is attributed to the byproducts diversion program of the Agricultural Adjustment Administration. The total supply of dark tobaccos for the season beginning October 1 is estimated at 356,800,000 pounds as compared with 383,700,000 pounds in the preceding year. A reduction of 9 percent is indicated for fire-cured while that indicated for dark air-cured is slight.

Comparatively little change is to be expected in the domestic consumption of snuff and manufactured tobacco. Tax-paid withdrawals and production of the various forms of manufactured tobacco have been irregularly lower during the past 10 or 11 months than in the corresponding period a year earlier, but no pronounced change from the fairly stable level of consumption of recent years is likely in the near future.

Dark tobaccos: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

| Year | Production | Stocks, Oct. 1 | Total supply | Disappearance, year beginning October | Average price per pound |
|---|---|---|---|---|---|
| | Million pounds | Million pounds | Million pounds | Million pounds | Cents |
| **Fire-cured** | | | | | |
| Total, Types 21-24 | | | | | |
| Average 1932-36 | 120.5 | 209.7 | 330.2 | 128.0 | 9.5 |
| 1937 2/ | 117.4 | 170.7 | 288.1 | 3/ 133.1 | 10.7 |
| 1938 | 4/ 107.0 | 3/155.0 | 3/262.0 | | |
| **Dark air-cured** | | | | | |
| Total, Types 35-37 | | | | | |
| Average, 1932-36 | 32.7 | 73.3 | 106.0 | 39.5 | 8.5 |
| 1937 2/ | 47.4 | 48.2 | 95.6 | 3/ 40.6 | 8.1 |
| 1938 | 4/ 39.8 | 3/ 55.0 | 3/ 94.8 | | |
| One Sucker, Type 35: | | | | | |
| Average 1932-36 | 15.2 | 33.3 | 48.5 | 17.8 | 8.6 |
| 1937 2/ | 24.6 | 23.8 | 48.4 | 3/ 17.4 | 7.4 |
| 1938 | 4/ 21.8 | 3/ 31.0 | 3/ 52.8 | | |
| Green River, Type 36: | | | | | |
| Average 1932-36 | 15.2 | 36.7 | 51.9 | 19.1 | 8.2 |
| 1937 2/ | 19.8 | 22.0 | 41.8 | 3/ 20.8 | 9.0 |
| 1938 | 4/ 15.8 | 3/ 21.0 | 3/ 36.8 | | |
| Va. Sun-cured, Type 37 | | | | | |
| Average 1932-36 | 2.3 | 3.3 | 5.6 | 2.6 | 10.2 |
| 1937 2/ | 3.0 | 2.4 | 5.4 | 3/ 2.4 | 8.9 |
| 1938 | 4/ 2.2 | 3/ 3.0 | 3/ 5.2 | | |

1/ Farm-sales-weight equivalent. 2/ Preliminary.
3/ Estimated. 4/ Indicated July 1.

There are no indications that the downward trend in exports of American fire-cured and dark air-cured tobaccos which has featured the post-war years, and especially the period since 1929, has been arrested. Exports in the 8 months October-May, including leaf, and Blackfat, water baler, and dark African were smaller than in the corresponding period in the preceding year. Decreased consumption of all dark tobaccos, exchange restrictions, expanded domestic production in foreign countries and other factors have greatly curtailed foreign markets for United States fire-cured and dark air-cured tobaccos.

The conclusion reached in The Tobacco Situation for March still seems to be warranted, namely, that notwithstanding the expected decrease in supplies of dark tobaccos, the situation in the season beginning October 1 is expected to continue relatively unfavorable.

## CIGAR TOBACCO, TYPES 41-62

Production of all types of cigar tobacco in 1938, according to conditions as of July 1 will total 121,245,000 pounds, an increase of 14.6 percent over 1937. An increase of 7.7 percent is indicated for filler, 19.3 for binder and 22.2 for wrapper. The increase in filler production results mainly from a larger area and a higher yield per acre for Pennsylvania Seedleaf, Type 41. Among the more important binder types, the output of Connecticut tobaccos, Broadleaf, Type 51 and Havana Seed, Type 52 show comparatively little change from last season, but Southern Wisconsin, Type 54 and Northern Wisconsin, Type 55 show increases of 46 and 19 percent, respectively. The increased production of wrapper results from larger crops of both Connecticut Valley and Georgia and Florida shade-grown types.

Stocks of all three classes of cigar tobacco, filler, binder, and wrapper on October 1, 1938, are expected to be less than a year earlier and materially below the average for the 5 years 1932-36. Due to the prospective reduction in stocks, total supplies for next season of filler and binder tobaccos are expected to be slightly smaller than in 1937-38. Indications are that the supply of wrapper will be about 1,900,000 pounds or 9 percent larger.

Tax-paid withdrawals of large cigars in the 11 months ended May 31, 1938, were 4.4 percent less than in the corresponding period a year earlier. Withdrawals in the 5 months January to May were 8 percent below those of 1937. The decline in consumer purchasing power during the past year has affected adversely the consumption of cigars, and withdrawals probably will show little improvement during the coming season unless business activity increases considerably.

With slightly smaller supplies of filler and binder and only a moderate increase in the supply of wrapper, the situation next year probably will not be greatly different from that of the present season. In view, however, of the much larger percentage of total supply represented by production, some decline in prices below those of 1937-38 is likely, particularly for those types showing the sharpest increases in production.

Cigar tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

| Class and year | Production | Stocks, Oct. 1 2/ | Total supply | Disappearance, year beginning October | Average price per pound |
|---|---|---|---|---|---|
| | Mil.lb. | Mil. lb. | Mil. lb. | Mil. lb. | Cents |
| Filler, Types 41-45 | | | | | |
| Average 1932-36 | 47.3 | 174.4 | 221.7 | 53.5 | 7.9 |
| 1937 3/ | 45.6 | 161.1 | 206.7 | 4/ 52.3 | 9.9 |
| 1938 | 5/49.1 | 4/154.4 | 4/ 203.5 | | |
| Binder, Types 51-55 | | | | | |
| Average 1932-36 | 42.6 | 197.6 | 240.2 | 58.9 | 11.0 |
| 1937 3/ | 51.2 | 137.4 | 188.6 | 4/ 63.0 | 13.3 |
| 1938 | 5/61.1 | 4/125.6 | 4/ 186.7 | | |
| Wrapper, Types 61-62 | | | | | |
| Average 1932-36 | 7.5 | 15.1 | 22.6 | 8.6 | 69.1 |
| 1937 3/ | 9.0 | 12.8 | 21.8 | 4/ 9.1 | 87.2 |
| 1938 | 5/11.0 | 4/ 12.7 | 4/ 23.7 | | |

1/ Farm-sales-weight equivalent. 2/ Stocks held on farms not included. 3/ Preliminary. 4/ Estimated. 5/ Indicated July 1.

Tax-paid withdrawals of tobacco products, July-May, and production of manufactured tobacco July-April, in the United States, 1936-37 and 1937-38 1/

| Products | Tax-paid withdrawals 11 months beginning July | | | Manufactured tobacco | Production 10 months beginning July | | |
|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | Change | | 1936 | 1937 | Change |
| | Millions | Millions | Percent | | 1,000 pounds | 1,000 pounds | Percent |
| Small cigarettes | 144,421 | 149,665 | + 3.6 | | | | |
| Large cigarettes | 3 | 3 | 0.0 | Smoking | 159,391 | 156,824 | - 1.6 |
| Large cigars | 5,091 | 4,869 | - 4.4 | Plug | 49,972 | 46,009 | - 7.9 |
| Small cigars | 176 | 163 | - 7.4 | Twist | 5,557 | 4,996 | -10.1 |
| Snuff 2/ | 34,036 | 33,985 | - .1 | Fine-cut | 4,662 | 4,282 | - 8.2 |
| Manufactured tobacco 2/ | 279,973 | 272,824 | - 2.6 | Scrap chewing | 37,534 | 35,805 | - 4.6 |

1/ Tax-paid withdrawals include products from the Philippine Islands and Puerto Rico. 2/ Thousand pounds.

Exports of tobacco from the United States by types, export weight, 1936 and 1937

| Type | 8 months beginning October | | |
|---|---|---|---|
| | 1936 | 1937 | Change |
| | 1,000 pounds | 1,000 pounds | Percent |
| Flue-cured 1/ | 290,861 | 350,084 | + 20.4 |
| Burley | 8,197 | 7,930 | - 3.3 |
| Ky. and Tenn. fire-cured | 35,969 | 33,747 | - 6.2 |
| Va. fire-cured | 6,961 | 5,479 | - 21.3 |
| Maryland 2/ | 2,792 | 1,722 | - 38.3 |
| One Sucker | 349 | 148 | - 57.6 |
| Green River | 1,909 | 2,837 | + 48.6 |
| Cigar leaf | 364 | 997 | +173.9 |
| Black fat, water baler, and dark African | 7,025 | 5,039 | - 28.3 |
| Stems, trimmings, and scrap | 17,607 | 13,643 | - 22.5 |

1/ 11 months beginning July. 2/ 5 months beginning January.

Acreage and production of tobacco in the United States, by types, 1937 and 1938

| Type | Acreage | | | Production | | |
|---|---|---|---|---|---|---|
| | 1937 | 1938 1/ | Change | 1937 | 1938 2/ | Change |
| | 1,000 acres | 1,000 acres | Per-cent | Mil. pounds | Mil. pounds | Per-cent |
| Total flue-cured, Types 11-14 | 973.3 | 934.0 | - 4.0 | 854.9 | 801.7 | - 6.2 |
| Old and Middle Belt, Type 11 | 362.0 | 343.0 | - 5.2 | 281.6 | 267.4 | - 5.0 |
| Eastern North Carolina, Type 12 | 330.0 | 310.0 | - 6.1 | 305.3 | 271.2 | -11.2 |
| South Carolina, Type 13 | 185.0 | 167.0 | - 9.7 | 180.0 | 150.3 | -16.5 |
| Georgia, Type 14 | 96.3 | 114.0 | +18.4 | 88.0 | 112.8 | +28.2 |
| Total fire-cured, Types 21-24 | 141.5 | 127.0 | -10.2 | 117.4 | 107.0 | - 8.9 |
| Virginia, Type 21 | 24.5 | 21.6 | -11.8 | 19.4 | 17.3 | -10.8 |
| Ky. and Tenn., Type 22 | 80.0 | 72.0 | -10.0 | 67.7 | 61.5 | - 9.2 |
| Ky. and Tenn., Type 23 | 34.5 | 30.9 | -10.4 | 28.2 | 26.0 | - 7.8 |
| Henderson, Type 24 | 2.5 | 2.5 | 0.0 | 2.1 | 2.2 | + 4.8 |
| Burley, Type 31 | 441.6 | 443.0 | + .3 | 402.7 | 398.0 | - 1.2 |
| Maryland, Type 32 | 36.0 | 38.5 | + 6.9 | 25.2 | 28.9 | +14.7 |
| Total dark air-cured, Types 35-37 | 52.9 | 44.6 | -15.7 | 47.4 | 39.8 | -16.0 |
| One Sucker, Type 35 | 27.1 | 24.2 | -10.7 | 24.6 | 21.8 | -11.4 |
| Green River, Type 36 | 22.0 | 17.6 | -20.0 | 19.8 | 15.8 | -20.2 |
| Va. sun-cured, Type 37 | 3.8 | 2.8 | -26.3 | 3.0 | 2.2 | -26.7 |
| Total cigar filler, Types 41-45 | 40.7 | 41.3 | + 1.5 | 45.6 | 49.1 | + 7.7 |
| Pa. Seedleaf, Type 41 | 23.5 | 24.0 | + 2.1 | 28.7 | 32.4 | +12.9 |
| Miami Valley, Types, 42-44 | 16.1 | 16.1 | 0.0 | 15.7 | 15.3 | - 2.5 |
| Ga. and Fla. sun-grown, Type 45 | 1.1 | 1.2 | + 9.1 | 1.2 | 1.4 | +16.7 |
| Total cigar binder, Types 51-55 | 35.6 | 41.6 | +16.9 | 51.2 | 61.1 | +19.3 |
| Conn.Valley Broadleaf, Type 51 | 9.1 | 8.8 | - 3.3 | 14.0 | 14.5 | + 3.6 |
| Conn.Valley Havana Seed, Type 52 | 6.6 | 6.5 | - 1.5 | 10.2 | 10.5 | + 2.9 |
| N.Y. and Pa.Havana Seed, Type 53 | 1.1 | 1.4 | +27.3 | 1.5 | 1.8 | +20.0 |
| Southern Wisconsin, Type 54 | 11.0 | 15.1 | +37.3 | 14.5 | 21.2 | +46.2 |
| Northern Wisconsin, Type 55 | 7.8 | 9.8 | +25.6 | 11.0 | 13.1 | +19.1 |
| Total cigar wrapper, Types 61-62 | 10.0 | 10.8 | + 8.0 | 9.0 | 11.0 | +22.2 |
| Conn.Valley Shadegrown,Type 61 | 7.2 | 7.6 | + 5.6 | 6.5 | 7.8 | +20.0 |
| Ga. and Fla. Shadegrown,Type 62 | 2.8 | 3.2 | +14.3 | 2.5 | 3.2 | +28.0 |
| Total, all types | 1,731.6 | 1,680.8 | - 2.9 | 1,553.4 | 1,496.6 | - 3.7 |

1/ Preliminary. 2/ Indicated July 1.

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